

**Technology Evaluation
of the
Securities and Stock Market State Commission
of Ukraine
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Introduction

This document is a report based on a technology evaluation of the Securities and Stock Market State Commission (hereafter Commission) of Ukraine. The Commission is the primary regulator of the capital market of Ukraine. This report is prepared by Tim Smith, the contractor at the request of Rick Gurley, Financial Sector Advisor, USAID Kyiv.

The purpose of the technology evaluation was twofold: an immediate plan to improve financial reporting and disclosure for publicly owned companies in Ukraine and a longer term plan to improve the technology infrastructure of the Commission giving them the tools required to regulate an electronic capital market.

The result of the evaluation is a report that focuses on financial disclosure for capital market participants in Ukraine. This report is a three phased project plan to improve financial disclosure and provide an enhanced technology platform for the Commission to regulate the capital market.

Ukrainian Financial Disclosure Project Plan

Concept

The idea of the USAID Financial Information Disclosure Project for Ukraine is to produce a system that allows for the gathering, processing and distribution of financial disclosure information necessary to provide transparency to the capital market of Ukraine.

To minimize risk and maximize budget efficiency, a phased project approach is suggested for this work. The overall project is split into three discreet phases that are all complete units of work. Upon completion of any of these phases, USAID can make a decision to stop or continue work without wasting the work that has already been accomplished. Each phase enhances the information disclosure process dramatically and stands alone if USAID stops continued support.

Goals

The primary goal of this project is to create a single, complete source for financial information disclosure in the capital market of Ukraine. The disclosure information should be complete and formatted to international standards. It should be in a technical format that encourages wide dissemination of the data to both local and international investors. A centralized index/search engine should be provided to make finding the disclosure data simple.

Secondary goals are to strengthen the regulatory commission's IT capabilities, to support PFTS further as a technical contributor to the disclosure system, , create a partnership between the primary stock market (PFTS) and the Securities and Stock Market State Commission (Commission) to work on the information disclosure process and make the disclosure process self-sustainable.

Background

The Commission requires periodic information disclosure filings from all joint-stock companies operating in Ukraine. This is approximately 12,000 open joint-stock companies, 24,000 closed joint-stock companies and all companies with partial state ownership. The primary information filed is the annual report but other periodic information is also required. Currently, this information must be filed with the Commission electronically and in paper format. The Commission also requires that the financial disclosure information be made public either using various financial gazettes to publish the data in print format or contracting with a licensed information provider and publishing it on the providers web site in electronic format. This is the context for the work of the project.

The current process of gathering data is technically difficult and financially costly. The Commission originally contracted with an IT company, Intellect Services, Inc. to create a financial disclosure data input software program that could be used by issuers to input information and then print it and submit an electronic file to the Commission to fulfill their filing requirements. Intellect Services provided the initial version of this software for free. It is custom software written in "C" language and uses a proprietary database format. It is distributed on 5 diskettes to open joint-stock companies to file with. The Commission needs to make ongoing changes to the data format that is used. Intellect Services requires payment for changing the program. Also, any changes have to be distributed and the users have to be trained. The Commission does not own the source code for the software. This is an untenable situation for the Commission.

Data gathering for closed joint-stock companies and companies with a percentage of state ownership is accomplished in a different way. The Commission here created a database structure in a standard "dbf" format that can be used by these companies to file their information. This "dbf" is a standard format that allows conversion of the data into the Commission's central database. The companies using "dbf" database format can use any software that produces the necessary database structure and then submit the results to the Commission. Again, any changes require distribution of the new data format and training.

The processing of the data is the second issue which must be strengthened. This is the Commission's ability to receive all disclosure data from the providers and validate it and load it into their central database of information. This process is clearly defined at the Commission from a business operational point of view. The Commission, however, is sorely lacking in technical infrastructure to process the data. This has probably been the primary cause for the sporadic processing and distribution of disclosure data in the past. The Commission has very few computers and all of those are over 5 years old. Their network infrastructure is extremely old, their Internet capabilities are almost nil and their telephone situation is absurd for an organization of that size. Somehow, they have been asked to regulate an increasingly automated market without being given any ability to acquire automation for themselves to monitor the market. Their infrastructure situation is critical. Their knowledge of the operational procedures required is excellent and now they need a boost to their IT infrastructure to implement their procedures.

The distribution of the data is highly disorganized. Currently, the Commission has an information disclosure division, Stock Market Information Disclosure Agency (SMIDA) that manages this function. SMIDA has created a limited liability company, the Stock Market Agency of Ukraine (SMAU), that can act as a commercial entity to provide IT services to aid in the disclosure of financial data. Companies required to file disclosure

data with the Commission must also make that data publicly available to investors without charge. This has led to a dual network of information disclosure providers that are licensed by the Commission to publish issuers' data electronically. Four providers are licensed to receive data directly from SMIDA/SMAU after the Commission receives and processes the data sent by filing companies. The four providers receive this data from the Commission without paying a fee. Eight additional information providers are licensed to collect data directly from the companies to fulfill the requirement to publicly disclose financial data. These providers charge a fee to receive data from a company. Companies send their data to these providers using the providers' software for inputting data and the companies also have to submit the required data to the Commission. This whole process results in multiple websites which all contain different companies' data and lack a central unified website that provides index and search capabilities so that an investor can find data on any company from a single website. Also, the current process is labor intensive for a severely technically impaired Commission and it produces negligible income while incurring significant costs.

Strategy

This project will focus on each of the three phases of the information disclosure process. It will improve the gathering, processing and distribution of this data through applying both technical and financial assistance.

Gathering Disclosure Data

The Commission has to be in control of the software program that is used by companies to submit their financial disclosure data. This software must be as simple as possible to use and maintain and update. The data input should be formatted according to international disclosure standards. The data input should be in a technical format that facilitates exchange between different computer systems.

To improve the gathering of disclosure data it is recommended that an Internet based input method be developed. This means that companies will connect their computer to the Commission's central information disclosure website in a secure logon over the Internet. From the central website a user can run the disclosure information input program (web pages) and enter their information directly into the information disclosure database. This will eliminate the need for mailing diskettes into the Commission. It will also eliminate the need to distribute a new version of the software every time a format change has to be made by the Commission because the software will be run from one central location. Changes are made to the central website and instructions are also placed on the central website for the companies to implement the changes.

Processing Disclosure Data

The processing of the disclosure data is an internal function of the Commission. The responsibility for the accuracy of the data is ultimately the company's which files the data. The Commission has a need to be able to receive this data, enter it into their central database of companies and distribute the data to the central website for disclosure. As this infrastructure is enhanced, the Commission will also be able to audit the data quicker thus assuring accurate and timely information is made available to the public.

The Commission already has the human resources and business plans in place to process this data. What they lack is the technology infrastructure to implement their plans. This project will focus on providing technical and financial assistance to update the Commission's IT infrastructure to improve the processing of disclosure data. This will be accomplished by providing telecom and Internet capabilities to the central and regional offices of the Commission. This can be done through an RFQ that the Commission has from UKRTELECOM which offers a very favorable bid to provide these services to the Commission and its regional offices. Also, as budget allows, some key hardware upgrades can be implemented in the central office of the Commission to strengthen their central database of companies and their processing capabilities. The project will also implement the technical workflow necessary to process and distribute the disclosure data within the Commission.

Distributing Disclosure Data

The distribution of the disclosure data must be better organized. It must be made public through a single disclosure website. This will be a single website that will bring together all information about Ukraine's capital market so that the public will know where to find information. This website will be created to host the data that is gathered and processed from companies filing disclosure reports. The project will focus on designing a useful, informative, well-organized website. This website must be promoted to Ukrainian citizens and to the world as THE source for economic information on Ukraine. Partnerships with other Ukrainian financial data websites must be formed so that their content can be linked to or incorporated into the web portal. A comprehensive search index must be built to aid the public in finding the data that they need.

Financial Sustainability for the Information Disclosure Process

In researching the current information disclosure environment in Ukraine, a possible basis for establishing the financial sustainability of this work was discovered. Each information disclosure provider charges companies a small fee to process their filed

reports and publish them on the provider's website. Also, the data entry software package is sold to each company for a small fee. Here is a table describing the possibility of financial sustainability for this project using the income from filing fees.

Information Disclosure Filing Fee Income Scenarios				
	Open JSC	Closed JSC	Input Software	
Filing Fees:	360	120	100	
Scenario 1: High Participation				
# of Companies	12,000	24,000	36,000	Yearly Income
UA Hrivna	4,320,000	2,880,000	3,600,000	10,800,000
5.3 hrivna = \$1	\$815,094	\$543,396	\$679,245	\$2,037,736
Scenario 2: Low Participation				
	4,000	8,000	12,000	Yearly Income
UA Hrivna	1440000	960000	1200000	3,600,000
5.3 hrivna = \$1	\$271,698	\$181,132	\$226,415	\$679,245

Risks

Risk	Severity	Mitigation Factors
Commission & PFTS Relationship	High	<ul style="list-style-type: none"> Financial assistance to Commission for IT upgrades PFTS disclosure software transferred to Commission PFTS' disclosure work already completed will speed the process to good disclosure Political influence
Creation of single disclosure website puts existing disclosure providers out of business	High	<ul style="list-style-type: none"> Encourage existing disclosure providers to become value-added market data companies
Lack of interest by Joint-Stock Companies in new disclosure system	Medium	<ul style="list-style-type: none"> Mandate usage of new system with Commission regulation Lower and standardize fees
Companies filing disclosure data won't pay fees	Medium	<ul style="list-style-type: none"> Regulate the fee structure Promote transparency in usage of fees to provide disclosure and promotion of JSCs

		<ul style="list-style-type: none"> • Lower fees • Design collection process to assure payment
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Phase 1 – Immediate Improvement

Timeframe: March 15, 2003 thru June 15, 2003

Costs (expat & local labor, software development and hardware): \$97,000

Resources: 1 Expat consultant, 1 Ukrainian local IT person

Concept

The idea of Phase 1 of the Information Disclosure project is to make what is currently in place work.

Monitoring and intervention by a USAID consultant in the gathering, processing and distribution of data to assure as much data as possible is received and disclosed in as short a time as possible.

A central web-based index will be created that contains a directory of all joint-stock companies in Ukraine. This index will be linked to all sites so that an investor can from any site find a listing for a particular company and click a link to go to the website that publishes that company's information.

With an eye to the future, the upgrade of the Commission's IT infrastructure in the form of key server/network upgrades and a complete telecom/Internet solution will be provided. This will bring the Commission into a closer working relationship with USAID and the goal of enhanced information disclosure for the capital market. It will also prepare the Commission to come into partnership with PFTS, the primary stock exchange of Ukraine.

PFTS will also be supported in their development of disclosure data input software and the creation of a central website to act as a disclosure portal for all companies.

Key Tasks

1. Distribute all currently received disclosure data in a timely manner
 - a. Use existing input software to gather, process and distribute the disclosure information to all information providers as soon as it is received.
 - b. Disclosure filings are received at the regional offices of the Commission and processed there and then forwarded to the central

office on a periodic basis. This process must be closely monitored to eliminate any possibility for delaying the distribution of the disclosure information.

- c. Place a USAID consultant in this process to monitor and assist with the distribution of gathered information.

2. Build a central index to all information disclosure websites

- a. Create a central index of all disclosure information and make this index available from all providers' websites so that an investor can look up company information regardless of which provider's website it is located on. Currently, a company's disclosure filings could be on any of several websites. A quick fix to centralizing the information is to create a company index and include it on each website of disclosure information. This index will allow an investor to search for a company's information in a central index and then the index would link to whichever website the information is located on.

3. Upgrade IT infrastructure of the Commission

- a. Accept UKRTELECOM's RFQ to provide complete telecom and Internet services to the Commission's central and regional offices. This is in the range of \$12,000 for installation and \$8,000 per year fees
- b. Define an information architecture for the Commission in conjunction with the Commission's and SMIDA's IT staffs. This involves identifying the data and processes which should be automated in the Commission's IT infrastructure. This information architecture merges with the business processes of the Commission to become an IT strategy that organizes and improves the work flow of the Commission through building a foundation of relevant and non-redundant data and processes.
- c. Begin the upgrade of the Commission's servers to provide a backbone for information processing
- d. Begin to provide licensed software to the Commission

4. Develop the information disclosure input software

- a. Support PFTS in the continued development of iStock. Specifically, in the area of continuing their development of disclosure input software with the intention of making this software the one that the Commission will use to gather issuer data with.
- b. Provide financial support to PFTS in the form of hardware and software development costs to continue their work on iStock.
- c. Eliminate any errors that existed in the old input software
- d. As much as the accounting reform project has enabled Ukrainian companies to use international accounting standards, move the disclosure input software towards international disclosure standards.
- e. Guide the data format of the input software to produce XBR formatted data. This is eXtended Business Reporting language. This is an Internet data technology based on XML that is used to exchange financial reporting data by IAS members. It allows exchange and interpretation of financial reporting data between the largest numbers of different computer systems.
- f. Make a single point of disclosure information input. Currently, companies input to the Commission and to their designated disclosure provider's website. All information should be input through the single input software and then published on all disclosure providers' websites.
- g. Currently, the Commission has input software for open joint-stock companies and a database format for the closed joint-stock companies and companies with state ownership. All of the companies should be serviced by a single software system that allows them to enter the information appropriate to their company's filing requirements.
- h. The information disclosure input software should connect to a centrally located software/database so that the input software is run from a central location. This eliminates the need to distribute software diskettes and train at remote locations. Any upgrades can be made at the central location and on-line tutorials can be used for training.
- i. Implement a mechanism where any licensed information provider can retrieve data entered from this central site

Deliverables

- The most comprehensive set of disclosure data yet produced on the capital market of Ukraine.
- A central web index/search engine for disclosure data located on all websites that publish Ukrainian disclosure data.
- An implemented contract to provide telecom & Internet services for the Commission
- Upgrades to key servers and network equipment at the Commission
- Software development and hardware support delivered to PFTS

Phase 2 – Build the Infrastructure

Timeframe: June 15, 2003 thru September 15, 2003

Costs (expat & local labor, software development and hardware): \$88,000

Resources: 1 Expat consultant, 1 Ukrainian local IT person

Concept

Phase 2 will accomplish the following tasks:

further strengthen the IT capabilities of the Commission,

bring PFTS and the Commission into an open partnership on information disclosure,

complete the financial information disclosure input software,

translate all fixed disclosure information into Ukrainian, Russian & English

create a single, centralized disclosure website, and

establish an information disclosure sustainability revenue stream

Key Tasks

1. Complete the development of disclosure data input software
 - a. Ongoing support to PFTS to complete the disclosure input software

- b. Open & Closed Joint-Stock and partially state owned companies all use single input software that provides the relevant data entry for each type of company.
 - c. Testing the input software with a set of trial companies
 - d. Promoting the new input software
- 2. Continue the upgrade IT infrastructure of the Commission
 - a. Support the ongoing expenses of the UKRTELECOM contract This is in the range of \$8,000 per year
 - b. Implement the data architecture defined in Phase 1 for the Commission in conjunction with the SMIDA IT staff
 - c. Continue the upgrade of the Commission's servers and network to provide a backbone for information processing
 - d. Continue providing licensed software to the Commission and begin to upgrade desktop PCs
- 3. Formalize the partnership between Commission and PFTS
 - a. PFTS will provide the information disclosure gathering and distribution system. SMIDA will provide the processing of the information disclosure information for the Commission and support to the IT infrastructure of the Commission. They will share a fee based revenue stream in appropriate proportions.
- 4. Create a central information disclosure website
 - a. In conjunction with the creation of input software for the disclosure process, the information received should be kept on a single, central website in one location. Any information disclosure provider will be able to access this data for the purpose of creating a value added compilation but the basic required disclosure data should be published on a single website. A commercial organization (PFTS) should create, maintain and enhance this website
- 5. Translate fixed disclosure information into Ukrainian, Russian and English

- a. Translate fixed data into three languages. This would be the forms used to display the disclosure information. Any data that is fixed and doesn't change. This data will only need to be translated once.
6. Establish a sustainability revenue stream
 - a. Initiate filing fees to companies for submitting financial disclosure data to the disclosure system. These fees shall be shared between the disclosure system operator and the Commission who will use their share to maintain an up-to-date IT infrastructure.

Deliverables

- A financial information disclosure data input software system that is jointly owned by PFTS (the developer) and the Commission. This software will provide an Internet based user interface for open and closed joint-stock companies and companies with partial state ownership to enter disclosure data. The source code will be escrowed with the Commission under a no-compete agreement so that they own the software.
- The creation and execution of a test plan for the disclosure input software utilizing a group of companies as testers.
- The procurement of computer hardware and software for the Commission which will continue their IT infrastructure upgrade.
- An IT strategy document for the Commission to define the development and focus of their IT resources.
- A clearly defined partnership between PFTS and the Commission to provide investors with complete financial disclosure information.
- The creation of a central, single information disclosure website for Ukraine.
- Translation of the fixed language of this website into Ukrainian, Russian and English.
- The creation of a plan to collect information filing fees to provide sustainability to the information disclosure system and to provide IT resources to the Commission.

Phase 3 – Sustainable, Efficient Disclosure

Timeframe: September 15, 2003 thru December 15, 2003

Costs (expat & local labor, software development and hardware): \$94,000

Resources: 1 Expat consultant, 1 Ukrainian local IT person

Concept

The third phase of the disclosure project is designed to continue the IT infrastructure upgrade of the Commission through procurement and consultation of IT expertise. It is also designed to continue the support of the partnership between PFTS and the Commission through financial and technical assistance. The central disclosure website will be prepared to receive the year-end data filings and act as the primary portal for disclosure data going into the 2003 reporting season in the first quarter of 2004. The content of the disclosure website will be enhanced with information from other areas of the Ukrainian capital market to provide more complete content for investors. The website will be fully translated into Ukrainian, Russian and English. Resources will be established to continue this translation on an ongoing basis. This third and final phase will see the completion of all tasks in the project and provide support leading into the 2003 filing season where fees can be collected and sustainability achieved.

Key Tasks

1. Complete the upgrade to the IT infrastructure of the Commission
 - a. Ongoing support of the UKRTELECOM contract at the rate of \$8,000 per year
 - b. Complete provision of licensed software to the Commission
 - c. Finish upgrading desktop computers
 - d. Establish a wide area network (WAN) linking all computers at the Commission and at the regional offices
 - e. Implement an “off-the-shelf” document management system to improve the processing capabilities at the Commission.
2. Monitor the partnership between the Commission and PFTS by assisting to implement a coherent IT strategy for the Commission and assisting PFTS to implement the information disclosure gathering and distributing system

3. Stabilize new input software and central website in preparation for entering 2003 data
 - a. Verify functionality and testing of new input software
 - b. Market the new disclosure website on major search engines in Ukraine and international
 - c. Market the new disclosure system to companies that will be using it
4. Translation of all disclosure information into Ukrainian, Russian and English
 - a. As a revenue stream becomes available for the information disclosure system, personnel should be hired to translate and input content to the central disclosure website. These staff would be mildly technical but really translation skills and office computer skills are all that are needed.
5. Extend disclosure website to become an economic portal
 - a. Work out agreements between all capital market participants to place data or links on the new website
 - b. Promote the new website to investors as an economic web portal

Deliverables

- A final procurement of software and hardware for the Commission
- Implementation of a WAN that connects the central and regional offices of the Commission
- Implementation of a document workflow management software system utilizing commercial “off-the-shelf” software.
- Full translation of the disclosure website into Ukrainian, Russian and English.
- A strong, clearly defined partnership between PFTS and the Commission
- Additional content added to the disclosure website to make it into an economic web portal for Ukraine
- A completed awareness campaign on the disclosure website and the new input software to be used by filing companies.

- Thru promotion and collaboration, the information disclosure website should contain information contributed from all sectors of the Ukrainian capital market. It should evolve into a single economic web portal for Ukraine.

Ukrainian Financial Disclosure Project Workplans

Ukrainian Financial Disclosure Project Schedule of Tasks

Phase 1 -- Immediate Improvement (12 Weeks)	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12
Resources: 1 Expat Consultant and 1 Local IT Specialist Full Time												
Task 1 Distribute current disclosure data quicker												
1.1 Analyze existing gathering, processing and distribution of data to improve process												
1.2 Expat to be involved to oversee and assist the distribution												
1.3 Agreed data format for all providers												
1.4 Create a central location from which disclosure data is distributed												
Task 2 Build a central index/search table for disclosure data												
2.1 Create a list of every company filing disclosure data												
2.2 Locate the website that each company currently discloses data on												
2.3 Build links to each company's data from the index												
2.4 Format the index for inclusion in each provider's website												
2.5 Incorporate the index into each provider's website												
2.6 Design an update strategy for the index as new information is added												
Task 3 Upgrade of Commission's IT infrastructure												
3.1 Finalize UKRTELECOM proposal to provide Commission's telecom and Internet services												
3.2 Define Commission's information architecture												
3.3 Identify and prioritize computer/network hardware upgrades												
3.4 Procurement of hardware upgrades												
3.5 Identify and prioritize software license upgrades												
3.6 Procurement of software licenses												
Task 4 Develop the information disclosure software												
4.1 Analyze and oversee PFTS iStock input software												
4.2 Provide financial/technical support to PFTS for the development of input software												
4.3 Identify and eliminate existing errors in input software												
4.2 Move the format of disclosure information to international standards												
4.3 Adopt XBR technical format for input data												
4.4 Merge open and closed JSC and state-owned companies input into a single software												
4.5 Establish a central database to receive the disclosure input data												

Phase 2 -- Build the Infrastructure (12 Weeks)												Week 13	Week 14	Week 15	Week 16	Week 17	Week 18	Week 19	Week 20	Week 21	Week 22	Week 23	Week 24
Resources: 1 Expat Consultant and 1 Local IT Specialist Full Time																							
Task 1 Complete the development of disclosure input software																							
1.1 Create a test plan for the input system																							
1.2 Identify companies to participate in testing																							
1.3 Create on-line instructions for input software																							
1.4 Test the input software																							
1.5 Promote new input software to users																							
1.6 Escrow input software source code with Commission																							
Task 2 Continue upgrade of Commission's IT infrastructure																							
2.1 Identify and define key data structures and business processes of the Commission																							
2.2 Create a project plan to implement Commission's IT strategy																							
2.3 Continue hardware upgrades according to priority																							
2.4 Continue software upgrades according to priority																							
Task 3 Formalize partnership between Commission and PFTS																							
3.1 MOU to define relationship between Commission and PFTS																							
Task 4 Create a single information disclosure website																							
4.1 Obtain an Internet domain name for the disclosure website																							
4.2 Design the content and navigational structure of the website																							
4.3 Define the data portal mechanism for transfer of disclosure data																							
4.2 Promote the website in Ukraine and internationally																							
Task 5 Translate fixed disclosure information																							
5.1 Translate all static disclosure information into Ukrainian, Russian & English																							
Task 6 Establish a sustainability revenue stream																							
4.1 Define a fee structure for filing information																							
4.2 Create regulation to enforce the fees																							
4.3 Define a fee sharing structure between PFTS and the Commission																							
4.2 Define an audit trail for transparency in use of the fees																							
4.3 Publicize the new fee structure to filing companies																							

Phase 3 -- Sustainable, Efficient Disclosure (12 Weeks)	Week 25	Week 26	Week 27	Week 28	Week 29	Week 30	Week 31	Week 32	Week 33	Week 34	Week 35	Week 36
Resources: 1 Expat Consultant and 1 Local IT Specialist Full Time												
Task 1 Complete Commission's IT upgrade												
1.1 Provide financial support to the telecom/Internet contract for the Commission												
1.2 Establish a wide-area network linking Commission's central and regional offices												
1.3 Implement off-the-shelf document/workflow management software for the Commission												
1.4 Final hardware upgrades												
1.5 Final software upgrades												
Task 2 Monitor and strengthen partnership between Commission and PFTS												
2.1 Assure terms of MOU are being met by both parties												
Task 3 Stabilize input software and central disclosure website												
3.1 Verify functionality and completed testing of input software												
3.2 Verify content of new central website												
3.3 Market the website to search engines on the Internet												
3.4 Market the new disclosure system to companies that file disclosure data												
Task 4 Complete translation of disclosure website												
4.1 Establish a resource to provide ongoing Ukrainian, Russian and English translation												
Task 5 Extend disclosure website to become an economic portal												
5.1 Create agreements for all capital market participants to place data/links on website												
5.2 Market website in Ukraine and internationally to investors as economic web portal												

Ukrainian Financial Disclosure Project Budgets

Ukraine Financial Disclosure Project Budget						
Phase 1		Month 1	Month 2	Month 3		Totals
Expat Consultant						
	Salary	\$ 11,000	\$ 11,000	\$ 11,000		
	M&IE	\$ 8,866	\$ 4,290	\$ 4,433		
	Misc	\$ 1,000	\$ 1,000	\$ 1,000	\$	53,589
Local Staff						
	Salary	\$ 800	\$ 800	\$ 800	\$	2,400
Commission						
	Telecom/Internet	\$ 12,000				
	Hardware		\$ 5,000	\$ 5,000		
	Software		\$ 2,500	\$ 2,500	\$	27,000
PFTS						
	Software Development	\$ 2,000	\$ 2,000	\$ 2,000		
	Hardware Support	\$ 2,000	\$ 2,000	\$ 2,000	\$	12,000
Phase 1 Total Cost:						\$ 94,989
Phase 2		Month 4	Month 5	Month 6		Totals
Expat Consultant						
	Salary	\$ 11,000	\$ 11,000	\$ 11,000		
	M&IE	\$ 4,400	\$ 4,400	\$ 4,400		
	Misc	\$ 1,000	\$ 1,000	\$ 1,000	\$	49,200
Local Staff						
	Salary	\$ 800	\$ 800	\$ 800	\$	2,400
Commission						
	Telecom/Internet	\$ 700	\$ 700	\$ 700		
	Hardware	\$ 5,000	\$ 5,000	\$ 5,000		
	Software	\$ 2,500	\$ 2,500	\$ 2,500	\$	24,600
PFTS						
	Software Development	\$ 2,000	\$ 2,000	\$ 2,000		
	Hardware Support	\$ 2,000	\$ 2,000	\$ 2,000	\$	12,000
Phase 2 Total Cost:						\$ 88,200
Phase 3		Month 7	Month 8	Month 9		Totals
Expat Consultant						
	Salary	\$ 11,000	\$ 11,000	\$ 11,000		
	M&IE	\$ 4,400	\$ 4,400	\$ 4,400		
	Misc	\$ 1,000	\$ 1,000	\$ 1,000	\$	49,200
Local Staff						
	Salary	\$ 800	\$ 800	\$ 800	\$	2,400
Commission						
	Telecom/Internet	\$ 700	\$ 700	\$ 6,000		
	Hardware	\$ 5,000	\$ 5,000	\$ 5,000		
	Software	\$ 2,500	\$ 2,500	\$ 2,500	\$	29,900
PFTS						
	Software Development	\$ 2,000	\$ 2,000	\$ 2,000		
	Hardware Support	\$ 2,000	\$ 2,000	\$ 2,000	\$	12,000
Phase 3 Total Cost:						\$ 93,500
Total Cost All Phases:						\$ 276,689

Ukrainian Financial Disclosure Project Conceptual Slideshow

Ukraine Financial Disclosure Project

3 Steps to Improve Financial Disclosure

- Improve the gathering of disclosure data
 - *One program to input data*
 - *Web based input – no software installed on client*
 - *Format data to international standards*
- Streamline the processing of the data
 - *Strengthen Commission's IT infrastructure*
 - *Disclosure data distributed as soon as it is input*
 - *Disclosure data centralized with open access*
- Open up the distribution of the data
 - *Create a single information disclosure website*
 - *Data available instantly to all value-added providers*
 - *Central index/search capability for company data*

Project to Improve Financial Disclosure

- Phase 1 – Immediate Improvement
 - Distribute the data immediately upon receiving it
 - Create a central index/search capability
 - Upgrade IT infrastructure of Commission
 - Develop new disclosure input software

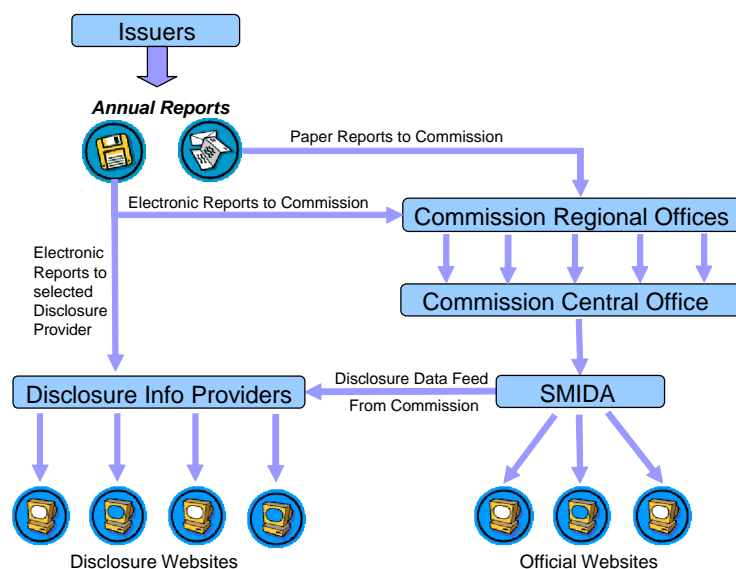
Project to Improve Financial Disclosure

- Phase 2 – Build the Infrastructure
 - Create a single disclosure website
 - Continue Commission's IT upgrades
 - Continue development of input software
 - Partnership between Commission and PFTS
 - Create a sustainable revenue stream
 - Begin translation to Ukrainian, Russian & English

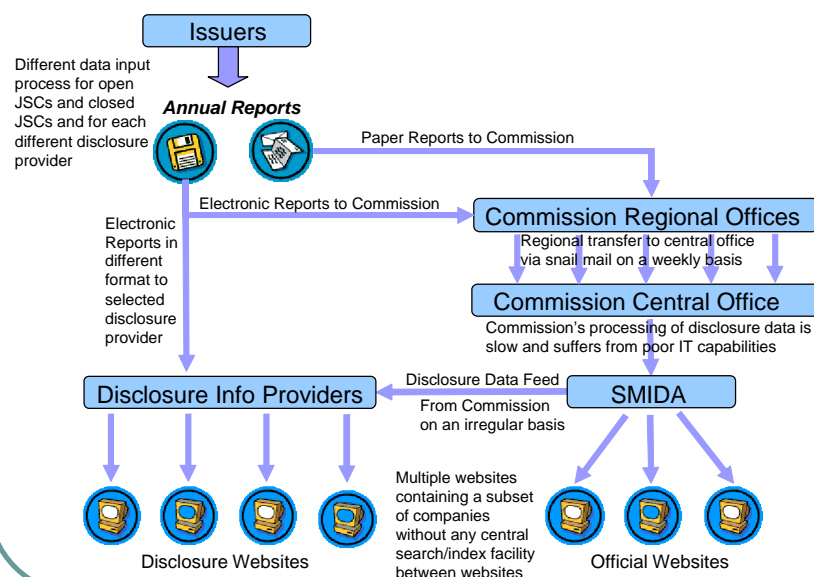
Project to Improve Financial Disclosure

- Phase 3 – Sustainable, Efficient Disclosure
 - Complete the IT infrastructure upgrade of Commission
 - Strengthen partnership between Commission & PFTS
 - Translate all information to Ukrainian, Russian & English
 - Extend disclosure website to become economic portal

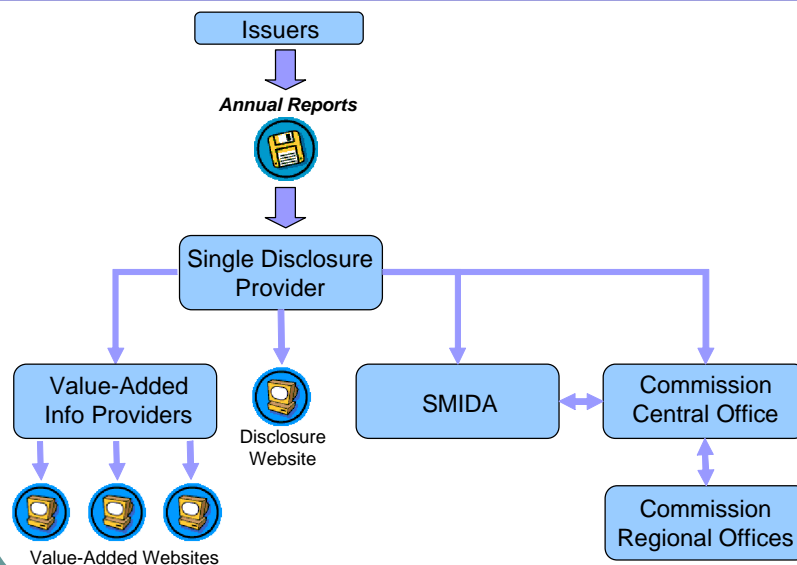
Current Disclosure System – Information Flow



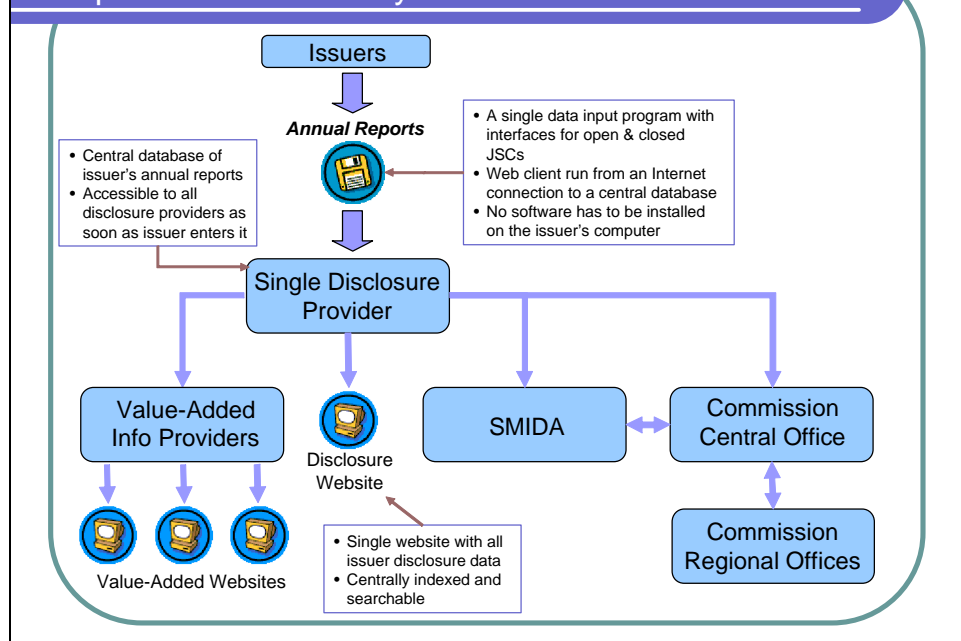
Current Disclosure System – Problems



Proposed Disclosure System – Information Flow



Proposed Disclosure System – Features



Project Timing

- **Phase 1 – Immediate Improvement, March-May, 2003**
 - April, 2003 – Most JSCs complete annual report filings
 - With the completion of 90% of filings Phase 1 will accomplish immediate improvement in existing disclosure process
- **Phase 2 – Build the Infrastructure, June-August, 2003**
 - Sept, 2003 – Actual deadline for previous year filings
 - Leading up to the September filing deadline, Phase 2 will create a sound structure for complete disclosure of all information
- **Phase 3 – Sustainable, Efficient Disclosure Sept-Nov, 2003**
 - Dec, 2003 – New filings for 2003 data begin
 - In preparation for filing 2003 data after year-end, a new, efficient disclosure system is tested and installed to provide international standard financial disclosure to the capital market of Ukraine

Project Financials

- Phase 1 – \$97,000
- Phase 2 – \$88,000
- Phase 3 – \$94,000
 - Costs include a Senior Technical Consultant and a Ukrainian local IT consultant full time. Costs also include provision of telecom, Internet, hardware and software to the Securities Commission and hardware/software support to PFTS